

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Bridgman Public Library	County Berrien
Fiscal Year End June 30, 2006	Opinion Date September 28, 2006	Date Audit Report Submitted to State December 5, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

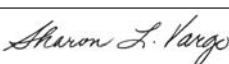
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number 269.982.8000		
Street Address 511 Renaissance Drive, Suite 120		City St. Joseph	State MI	Zip 49085
Authorizing CPA Signature 		Printed Name Sharon L. Vargo		License Number 1101010413

Bridgman Public Library

**Financial Report
with Supplemental Information
June 30, 2006**

Bridgman Public Library

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Independent Auditor's Report

To the Bridgman Public Library Board
Bridgman, Michigan

We have audited the financial statements of the governmental activities and the major governmental fund of Bridgman Public Library as of and for the year ended June 30, 2006, which collectively comprise Bridgman Public Library's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Bridgman Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bridgman Public Library as of June 30, 2006 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

September 28, 2006

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A worldwide association of independent accounting firms

Using this Annual Report

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of Bridgman Public Library (the "Library"):

- The first column of the financial statements includes information on Bridgman Public Library's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of Bridgman Public Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The government-wide financial statement column provides both long-term and short-term information about Bridgman Public Library's overall financial status. The statement of net assets and statement of activities provide information about the activities of Bridgman Public Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The required supplemental information section follows the basic financial statements and further explains and supports the information in the financial statements.

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The Library's net assets decreased by \$57,716 during fiscal 2006, ending the year at \$1,816,375. The table below shows the composition of the Library's net assets at June 30, 2006 and 2005.

	June 30		Increase
	2006	2005	(Decrease)
Assets			
Current assets	\$ 268,177	\$ 253,488	\$ 14,689
Capital assets	<u>1,620,828</u>	<u>1,684,558</u>	<u>(63,730)</u>
Total assets	1,889,005	1,938,046	(49,041)
Liabilities - Current liabilities	<u>72,630</u>	<u>63,955</u>	<u>8,675</u>
Net Assets			
Investment in general capital assets	1,620,828	1,684,558	(63,730)
Restricted for future endowment	7,500	7,500	-
Unrestricted	<u>188,047</u>	<u>182,033</u>	<u>6,014</u>
Total net assets	<u>\$ 1,816,375</u>	<u>\$ 1,874,091</u>	<u>\$ (57,716)</u>

The table below is a two-year comparison of the revenues and expenditures of the Library. For the year ended June 30, 2006, expenses on the full accrual method of accounting exceeded revenues by \$57,716. For the year ended June 30, 2005, expenses exceeded revenues by \$14,375.

	Year Ended June 30		Increase
	2006	2005	(Decrease)
Revenue			
Property tax	\$ 165,736	\$ 165,549	\$ 187
Penal fines	55,213	58,573	(3,360)
Lake Township contract	67,600	64,881	2,719
Contributions	13,173	50,109	(36,936)
Other	<u>28,620</u>	<u>16,541</u>	<u>12,079</u>
Total revenue	330,342	355,653	(25,311)
Expenses - Library services			
Personnel	146,714	140,894	5,820
Depreciation	142,943	147,136	(4,193)
Other	<u>98,401</u>	<u>81,998</u>	<u>16,403</u>
Total expenses	<u>388,058</u>	<u>370,028</u>	<u>18,030</u>
Expenses Over Revenue	<u>\$ (57,716)</u>	<u>\$ (14,375)</u>	<u>\$ (43,341)</u>

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Bridgman Public Library as a Whole

- Bridgman Public Library's net assets decreased this year.
- Bridgman Public Library's primary sources of revenue are from property taxes, which represent 50 percent of total revenue; a contract with Lake Charter Township, which represents 20 percent of total revenue; donations, which represent 3 percent of total revenue; and from Library fines (including penal fines), which represent 17 percent of total revenue. Penal fines are unpredictable and vary yearly depending on police activity and court costs.
- Personnel expenses are a significant cost to Bridgman Public Library, representing 46 percent of total expenditures. This year expenses for salaries were increased by approximately \$6,000, due to an increase in hourly wages.
- Other significant expense items include Community Promotion (\$11,078), which included expenses related to the Library's 40th Anniversary Celebration, and Public Utilities (\$14,973).
- Bridgman Public Library received donations of \$8,936 during the year.

Library Budgetary Highlights

The Library had three significant budget overruns in 2006. They were as follows:

	Budget	Actual	Overrun
Supplies	\$ 15,000	\$ 19,076	\$ 4,076
Repairs and maintenance	16,000	25,336	9,336
Capital expenditures	-	46,783	46,783

The following are management's explanations for the budget overruns:

- Supplies: While the expense for supplies is over budget, there is a decrease in expenses of \$1,319 from last fiscal year. Library management continues to determine the needs of the library. We continue to see an increase in patron use of the copy machine, fax machine, and patron computers/printers, generating additional expense for the cost of maintaining these items. Additionally, library program attendance has increased considerably, with an increase in costs for supplies, such as photo supplies for printing pictures and supplies for crafts. Also, we are continuing to purchase items needed for the smooth administration of the library duties, such as book carts, and for the use of our patrons, such as shelving displays.

Bridgman Public Library

Management's Discussion and Analysis (Continued)

- Repairs and maintenance: Expenses in this category were \$8,191 over last fiscal year. Inside cleaning expenses have remained stable for the past year, but an increase in cleaning supplies has been noted. Outside maintenance decreased significantly, due to the completion of the landscaping project. Other significant expenses were Murphy Masonry (\$8,000), to repair the stone wall and the front wall for the library signage; Needle's Eye (\$2,248), to replace the vinyl covering on the old library chairs; Clean America (\$1,636), to clean the carpeting; Ibid County Electric (\$875), to install the outside light for the flag; Superior Lamp (\$2,294), to replace all fluorescent lighting; and Aramark Uniform Services (\$1,252), for the weekly replacement of rugs at the front entry, inside entry, circulation desk, and staff entry.
- Capital expenditures: Capital expenses this fiscal year have decreased by more than 35 percent. Expenses in this category are for Library Furniture International (\$14,552), for furnishings in the small and large conference rooms and seating by the fireplace and The Shutter Shoppe (\$10,000), for deposit for the purchase and installation of electric shades for the community room and the tower windows at the circulation desk. There were also additional costs for the building of \$12,408 (which included ConSpecT - Services \$3,382, Art Fx - \$835, and Midwest Glass and Mirror - \$2,770).

Capital Assets and Debt Administration

At the end of the fiscal year, Bridgman Public Library had \$1.6 million invested in land, building, furnishings, equipment, books, and materials. During the fiscal year, purchases of two new patron computers and chairs for the patron computer station were made by the Friends of the Library. The Library added books and materials at a cost of \$28,314.

Bridgman Public Library's debt rating is excellent. No debt was issued during this fiscal year.

Future Operating Plans

The library board is always evaluating the budget to watch the ratio of expense to income.

The Library has a solid relationship with Lake Charter Township and a current contract that pays the Library 1/10 of 1 mil annually. This expires in December 2007. The library board is working with the Township to encourage renewal of this contract.

Additionally, the millage from the City of Bridgman is in good standing. The Library currently has a millage voted in perpetuity and a five-year millage which is due to expire in November 2007. The library board will evaluate ways to encourage renewal of this millage.

Future needs for the Library include furnishings for the teen and children areas and materials (such as books, periodicals, audio and video cassettes). Other considerations are maintenance of the outside and inside of the Library, maintenance of the patron and staff computers, and continued staff development.

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Contacting the Library's Management

This financial report is designed to provide a general overview of the Library's finances and accountability of the public trust. Questions regarding any of the information provided in this report or requests for additional information should be addressed to the library director, Bridgman Public Library, 4460 Lake Street, Bridgman, MI 49106.

Bridgman Public Library

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2006

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Cash and cash equivalents (Note 4)	\$ 268,177	\$ -	\$ 268,177
Capital assets (Note 5)	-	1,620,828	1,620,828
Total assets	<u>\$ 268,177</u>	<u>\$ 1,620,828</u>	1,889,005
Liabilities - Accounts payable and other liabilities	\$ 72,630	\$ -	72,630
Fund Balance/Net Assets - Fund balance - Undesignated	195,547	(195,547)	-
Total liabilities and fund balance	<u>\$ 268,177</u>	<u>\$ (195,547)</u>	72,630
Net Assets			
Invested in capital assets - Net of debt		\$ 1,620,828	1,620,828
Restricted for future endowment		7,500	7,500
Unrestricted		188,047	188,047
Total net assets		<u>\$ 1,816,375</u>	<u>\$ 1,816,375</u>

Bridgman Public Library

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2006

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
State sources	\$ 6,712	\$ -	\$ 6,712
Investment income	9,631	-	9,631
Property tax	165,736	-	165,736
Penal fines	55,213	-	55,213
Lake Township contract	67,600	-	67,600
Contributions	8,936	-	8,936
Capital contributions	-	4,237	4,237
Other	12,277	-	12,277
Total revenue	326,105	4,237	330,342
Expenditures			
Personnel	146,714	-	146,714
Supplies	19,076	-	19,076
Professional services and dues	15,041	-	15,041
Community promotion	11,078	-	11,078
Insurance and bonds	6,529	-	6,529
Public utilities	14,973	-	14,973
Repairs and maintenance	25,336	-	25,336
Audiovisual, books, and periodicals	28,193	(28,193)	-
Capital expenditures	46,783	(46,783)	-
Miscellaneous	6,368	-	6,368
Depreciation	-	142,943	142,943
Total expenditures	320,091	67,967	388,058
Excess of Revenue Over (Under) Expenditures	6,014	(63,730)	(57,716)
Fund Balance/Net Assets - July 1, 2005	189,533	1,684,558	1,874,091
Fund Balance/Net Assets - June 30, 2006	<u>\$ 195,547</u>	<u>\$ 1,620,828</u>	<u>\$ 1,816,375</u>

Note I - Nature of Organization and Summary of Significant Accounting Policies

Bridgman Public Library (the "Library") is located in the City of Bridgman, Michigan and is governed by an appointed board. The Library is primarily funded through a tax levy, fines and fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations.

Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2005 ad valorem tax is levied and collectible on July 1, 2005 and is recognized as revenue in the year ended June 30, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Library district totaled \$99,273,581, on which ad valorem taxes levied consisted of 1.67 mills for operating purposes. This resulted in tax revenues of approximately \$165,000 for operating purposes, which are recognized in the General Fund.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred.

Bridgman Public Library

Notes to Financial Statements June 30, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	10 years
Library books - Reference	10 years
Periodicals and videos	5 years
Library books - Hard cover	5 years
Library books - Soft cover	3 years

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

The General Fund's fund balance and the net change in fund balance differ from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified accrual basis	\$ 195,547
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>1,620,828</u>
Total Net Assets - Full accrual basis	<u>\$ 1,816,375</u>

Bridgman Public Library

Notes to Financial Statements June 30, 2006

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Net Change in Fund Balances - Modified accrual basis	\$ 6,014
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books, material, and equipment	74,976
Depreciation	(142,943)

Governmental funds do not report revenue and expenditures from donated capital assets in the statement of activities

4,237

Change in Net Assets of Governmental Activities - Full accrual basis	\$ (57,716)
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Note 3 - Budget Information

The annual budget is prepared by the budget committee and adopted by the library board in July of each year. Subsequent amendments are made in a legally permissible manner and approved by the library board periodically throughout the year. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget can be found in the required supplemental information.

Bridgman Public Library

Notes to Financial Statements June 30, 2006

Note 3 - Budget Information (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Library incurred significant expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
Supplies	\$ 15,000	\$ 19,076
Repairs and maintenance	16,000	25,336
Capital expenditures	-	46,783

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in mutual funds and investment pools investing only in bonds and securities of the United States government, bank accounts, and CDs, but not the remainder of state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

Bridgman Public Library

Notes to Financial Statements June 30, 2006

Note 4 - Deposits and Investments (Continued)

The Library's cash and investments are subject to custodial credit risk of bank deposits, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$38,114 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 5 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

	Balance July 1, 2004	Additions	Balance June 30, 2005
Governmental Activities			
Capital assets not being depreciated -			
Land	\$ 23,750	\$ -	\$ 23,750
Capital assets being depreciated:			
Building	1,597,488	17,230	1,614,718
Furniture and equipment	257,881	33,790	291,671
Library books, periodicals, and videos	731,356	28,193	759,549
Subtotal	2,586,725	79,213	2,665,938
Less accumulated depreciation	(925,917)	(142,943)	(1,068,860)
Net capital assets being depreciated	1,660,808	(63,730)	1,597,078
Net capital assets	\$ 1,684,558	\$ (63,730)	\$ 1,620,828

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provide to employees. The Library has purchased commercial insurance for general liability, workers' compensation, and medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Required Supplemental Information

Bridgman Public Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original and Amended Budget	Actual	Variance with Amended Budget
Revenue			
State sources	\$ 5,000	\$ 6,712	\$ 1,712
Investment income	3,000	9,631	6,631
Property tax	169,659	165,736	(3,923)
Penal fines	50,000	55,213	5,213
Lake Township contract	66,888	67,600	712
Contributions	2,100	8,936	6,836
Other	7,500	12,277	4,777
Total revenue	304,147	326,105	21,958
Expenditures			
Personnel	167,659	146,714	20,945
Supplies	15,000	19,076	(4,076)
Professional services and dues	20,000	15,041	4,959
Community promotion	12,000	11,078	922
Insurance and bonds	9,000	6,529	2,471
Public utilities	17,988	14,973	3,015
Repairs and maintenance	16,000	25,336	(9,336)
Audiovisual, books, and periodicals	40,000	28,193	11,807
Capital expenditures	-	46,783	(46,783)
Miscellaneous	6,500	6,368	132
Total expenditures	304,147	320,091	(15,944)
Excess of Revenue Over Expenditures	-	6,014	6,014
Fund Balance - July 1, 2005	189,533	189,533	-
Fund Balance - June 30, 2006	<u>\$ 189,533</u>	<u>\$ 195,547</u>	<u>\$ 6,014</u>

To the Board of Directors
Bridgman Public Library
Bridgman, Michigan 49106

In planning and performing our audit of the financial statements of the Bridgman Public Library for the year ended June 30, 2006, we considered the Library's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

SEGREGATION OF DUTIES

Control over cash receipts is limited because of insufficient segregation of duties due to limited personnel. Management feels adequate segregation of duties is not practical because hiring additional personnel is not warranted from a cost-benefit standpoint.

BANK RECONCILIATIONS

In order to be effective, bank reconciliations should be performed on a timely basis every month and reviewed regularly by management. During our testing of the bank reconciliation process it was noted that some of the bank reconciliations related to the checking accounts were not performed as of the last day of the month. They were instead dated and reconciled to the general ledger balance on a date within the following month. It was also noted that the ending book balance on the bank reconciliation did not match the cash balance recorded in the general ledger in some cases. Due to the internal control weakness caused by segregation of duties issues related to the cash receipt process, the importance of the bank reconciliation process is increased. We recommend a more focused bank reconciliation process in the future.

FIXED ASSETS & BOOK INVENTORY

The library staff compiled a listing of fixed asset additions at the end of the year. We suggest that library staff devise a plan for maintaining these listings during the year (i.e. tracking disposals and additions). It is important to remember that even donated assets should be added to the listing (and also recorded as donation revenue). The same is true for books, CD's, cassettes, etc. The current year listing that was prepared by the library staff did not include all capital items that were purchased or donated and it did not agree in total to the capital outlay general ledger accounts. In addition, the listing included some items that were below the threshold for capitalization. We are happy to discuss ideas for tracking capital expenditures throughout the year to maintain a complete and accurate listing.

BUDGET

The financial statements show several expenditure accounts that were in excess of the budget amount. The Library did not amend the budget during the year. Michigan Public Act 621 (budget act) requires amending the budget prior to incurring expenditures that will exceed the original budget. The Budget Act also requires that the Library hold a public hearing in relation to the budget and its approval. There was no documentation in the minutes to support the occurrence of a public hearing or the formal approval of the 2005-2006 budget. We encourage the Board to document this in the future to show compliance with State law.

We thank the Library's staff for their preparation and assistance during this year's audit. We greatly appreciate the courtesy and cooperation extended to us by you and the members of your organization.

This report is intended solely for the information and use of the Board of Directors and management of Bridgman Public Library. We would be happy to discuss this letter at your convenience.

Plante & Moran, PLLC

September 28, 2006